



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

June 25, 2004

Honorable Kent Conrad
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator:

At your request, the Congressional Budget Office (CBO) has estimated the cost of the occupation of Iraq and other operations associated with the global war on terrorism (GWOT) for fiscal year 2005. CBO has also projected the potential 10-year costs of such operations under three scenarios that you specified.

Assuming that the force level and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates that the Department of Defense (DoD) will likely require \$55 billion to \$60 billion in new budget authority to carry out those operations. If the disposition of forces or pace of operations were to differ from the assumed levels, the cost of operations would, of course, change accordingly. The estimate includes only the costs that DoD would incur above amounts budgeted for routine military operations, and does not include the costs for reconstruction activities carried out by DoD or other U.S. government agencies.

CBO's estimate of such costs is uncertain for a number of reasons. DoD has provided little detail on actual costs to date. Standard models and cost factors used by CBO in preparing its estimate, though widely accepted, may not fully reflect the unique circumstances of each particular operation, and those circumstances change over time. It is also difficult to estimate the costs that DoD will attribute to those operations for support activities in the United States.

CBO's past estimates of the cost of occupying Iraq and carrying out other GWOT operations have generally been lower than the amounts requested and obligated by DoD for those activities. For fiscal year 2004, DoD's obligations are likely to exceed CBO's estimate by more than 10 percent. If a similar difference occurred in fiscal year 2005, costs in that year could be a bit more than \$60 billion. On the other hand, the reported obligation data for 2004 may include one-time costs for items such as base construction and procurement activities that will not be required in 2005. If so, obligations in excess of CBO's estimate would be less likely.

CBO also estimated the cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified in your request letter. Under the first scenario, the occupation force in Iraq would increase to 190,000 servicemembers for the 2005-2006 period and then decline so that all U.S. forces would be removed from Iraq by 2009. At that point, the only troops deployed overseas in support of the GWOT would be those stationed

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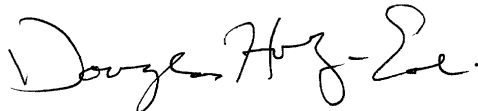
in and around Afghanistan. CBO estimates this scenario would require about \$64 billion in budget authority in 2005, declining to about \$10 billion a year from 2009 through 2014. Budget authority associated with this scenario would total about \$266 billion over the 2005-2014 period.

Current force levels would be maintained in Iraq and other GWOT locations through 2006 under the second scenario. After that, the force levels would gradually decline to a steady-state level of about 69,000 deployed personnel by fiscal year 2010. Budget authority required for scenario two would total about \$392 billion over the 2005-2014 period, CBO estimates.

Finally, the third scenario assumes that troop levels in Iraq would steadily decline beginning in 2005, so that by 2010 about 15,000 personnel would be deployed overseas in support of the GWOT. CBO estimates that total budget authority under that scenario would total about \$179 billion over the 2005-2014 period.

The attachment to this letter provides additional detail about the cost estimates, including a discussion of differences between CBO's estimates and cost figures reported by DoD. If you wish further details on this analysis, we would be pleased to provide them. The staff contacts are Matthew Schmit and David Newman of CBO's Budget Analysis Division (226-2840), and Adam Talaber of CBO's National Security Division (226-2900).

Sincerely,

A handwritten signature in black ink, reading "Douglas Holtz-Eakin". The signature is written in a cursive, flowing style.

Douglas Holtz-Eakin
Director

Honorable Kent Conrad

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Attachment

cc: Honorable Don Nickles
Chairman

Honorable Ted Stevens
Chairman
Senate Committee on Appropriations

Honorable Robert C. Byrd
Ranking Minority Member

Honorable John W. Warner
Chairman
Senate Committee on Armed Services

Honorable Carl Levin
Ranking Member

Honorable Jim Nussle
Chairman
House Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

Honorable C. W. Bill Young
Chairman
House Committee on Appropriations

Honorable David R. Obey
Ranking Member

Honorable Duncan Hunter
Chairman
House Committee on Armed Services

Honorable Ike Skelton
Ranking Member

**Estimated Costs of Continuing
Operations in Iraq and Other Operations
of the Global War on Terrorism**

June 25, 2004

Congress of the United States
Congressional Budget Office



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Summary

At the request of Senator Conrad, the Congressional Budget Office (CBO) has estimated the costs of military operations in Iraq and Afghanistan and other operations associated with the global war on terrorism (GWOT) for fiscal year 2005. CBO has also projected the potential 10-year costs of such operations under three scenarios that the Senator specified.

Assuming that the force level and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates that the Department of Defense (DoD) will likely require \$55 billion to \$60 billion in new budget authority to carry out those operations. If the disposition of forces or pace of operations were to differ from the assumed levels, the cost of operations would, of course, change accordingly. That estimate encompasses the costs Operation Iraqi Freedom, Operation Noble Eagle, and Operation Enduring Freedom.¹ It includes only the costs that DoD would incur above amounts budgeted for routine military operations, and does not include the costs for reconstruction activities carried out by DoD or other U.S. government agencies.

CBO's estimate of such costs is uncertain for a number of reasons. DoD has provided little detail on actual costs to date. Standard models and cost factors used by CBO in preparing its estimate, though widely accepted, may not fully reflect the unique circumstances of each particular operation, and those circumstances change over time. It is also difficult to estimate the costs that DoD will attribute to those operations for support activities in the United States.

CBO's past estimates of the cost of occupying Iraq and carrying out other GWOT operations have generally been lower than the amounts requested and obligated by DoD for those activities. For fiscal year 2004, DoD's obligations are likely to exceed CBO's estimate by more than 10 percent. If a similar difference occurred in fiscal year 2005, costs in that year could be a bit more than \$60 billion. On the other hand, the reported obligation data for 2004 may include one-time costs for items such as base construction and procurement activities that will not be required in 2005. If so, obligations in excess of CBO's estimate would be less likely.

CBO also estimated the cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified in the request letter from Senator Conrad. Under the first scenario, the occupation force in Iraq would increase to 190,000 servicemembers for the 2005-2006 period and then decline so that all U.S. forces would be removed from Iraq by 2009. At that point, the only troops deployed overseas in support of the GWOT would be those stationed in and around Afghanistan. CBO estimates this scenario would require about \$64 billion in budget authority in 2005, declining to about \$10 billion a year from 2009 through 2014. Budget authority associated with this scenario would total about \$266 billion over the 2005-2014 period.

1. Operation Noble Eagle refers to domestic homeland security missions, such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities (including activities in the Philippines and Yemen).

Current force levels would be maintained in Iraq and other GWOT locations through 2006 under the second scenario. After that, the force levels would gradually decline to a steady-state level of about 69,000 deployed personnel by fiscal year 2010. Budget authority required for scenario two would total about \$392 billion over the 2005-2014 period, CBO estimates.

Finally, the third scenario assumes that troop levels in Iraq would steadily decline beginning in 2005, so that by 2010 about 15,000 personnel would be deployed overseas in support of the GWOT. CBO estimates that budget authority under that scenario would total about \$179 billion over the 2005-2014 period.

Obligations Through March 2004 For Operation Iraqi Freedom and the Global War on Terrorism

Through March 2004, the Department of Defense had obligated \$114 billion for Operation Iraqi Freedom and the other GWOT operations in the two and one-half years since September 11, 2001 (see Table 1). Data on obligations come from cost reports prepared by the Defense Finance and Accounting Service (DFAS). The reports present the obligations broken down by major operation (Iraqi Freedom, Enduring Freedom, Noble Eagle) and service (Army, Navy, Air Force, Marines, and Defense Agencies). Obligations for Operation Iraqi Freedom constitute the largest fraction of the obligations to date—\$71 billion. After comparing the obligations presented in these reports with funding provided by the Congress to date, CBO estimates that of the funding provided to DoD in supplemental appropriations for 2004, approximately \$28 billion remains unobligated as of March 2004.² Assuming those remaining funds are obligated during this fiscal year, obligations for these operations will total \$64 billion in fiscal year 2004 and almost \$142 billion cumulatively since September 11, 2001.

The figures discussed above and presented in Table 1 exclude obligations for certain classified activities, which are not included in the DFAS reports, and obligations of funds for reconstruction activities administered by other executive branch agencies. Based on language in appropriations acts for 2002, 2003, and 2004 and information contained in briefings from DoD, CBO estimates that the Congress has appropriated at least \$10 billion for classified activities since September 11, 2001, but CBO does not know how much has been obligated for those purposes. Amounts appropriated for reconstruction activities in Iraq and Afghanistan have so far totaled about \$24 billion.

Estimate for Fiscal Year 2005

Assuming that the force levels and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates

2. Public Law 108-406, Making Emergency Supplemental Appropriations for Defense and for the Reconstruction of Iraq and Afghanistan for the Fiscal Year Ending September 30, 2004, and for Other Purposes.

TABLE 1. OBLIGATIONS BY THE DEPARTMENT OF DEFENSE FOR OPERATIONS IN IRAQ AND THE GLOBAL WAR ON TERRORISM (In billions of dollars, by fiscal year)

	2002	2003	2004 (Through March) ^a	Remainder of 2004 (Estimated)	Total Through End of 2004 (Estimated) ^b
Iraqi Freedom ^c	n.a.	42.4	28.9	22.4	93.7
Noble Eagle ^d	5.7	6.3	2.3	1.7	16.0
Enduring Freedom ^e	<u>11.0</u>	<u>12.3</u>	<u>4.8</u>	<u>3.7</u>	<u>31.8</u>
Total	16.6	61.0	36.0	27.8	141.5

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: Numbers may not add to totals because of rounding.
Does not include obligations for classified activities or reconstruction.
n.a.= not applicable.

- Due to a two-month lag in processing the data, March is the last month for which data is available from DoD. Of the amounts obligated in fiscal year 2004, about \$32 billion is from 2004 appropriations, with the remainder coming from funds appropriated for 2003, mainly to cover the cost of procurement and other force “reconstitution” activities necessitated by operations in that year.
- Based on amounts appropriated for 2004, CBO estimates DoD had approximately \$28 billion available for obligation at the end March, not including funds appropriated for classified activities. For purposes of this analysis, CBO assumes the remaining \$28 billion will be obligated before the end of fiscal year 2004.
- Operation Iraqi Freedom refers to military operations in and around Iraq.
- Operation Noble Eagle refers to domestic homeland security missions such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001.
- Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.

that DoD will likely require \$55 billion to \$60 billion in budget authority for that year to continue the occupation of Iraq and other GWOT operations during that year. The detailed components of that estimate are shown in Table 2; they sum to about \$56 billion. CBO’s estimate represents the incremental amount that DoD would incur above the budgeted cost of routine operations. For instance, the estimate excludes items such as basic pay for active-duty military personnel but includes the monthly pay of reservists recalled to full-time duty. The exception is basic pay for active-duty personnel in excess of the current authorized endstrength level, which is included because those personnel are being retained in the military as a direct result of overseas operations and DoD has been compensating them mostly with supplemental appropriations.

TABLE 2. ESTIMATED COST OF OCCUPATION OF IRAQ AND GLOBAL WAR ON TERRORISM FOR FISCAL YEAR 2005 ASSUMING CURRENT LEVELS OF ACTIVITY AND FORCE LEVELS (In billions of dollars)

	Noble Eagle ^a	Enduring Freedom ^b	Iraqi Freedom ^c	Undistributed ^d	Total
Personnel ^e	2.8	0.8	8.3	5.1	17.0
Personnel Support ^f	0.6	0.3	2.0	2.3	5.2
Operations Support ^g	0.4	2.6	21.2	0.2	24.4
Transportation ^h	0	0.9	3.6	0	4.5
Classified and Coalition Support ⁱ	<u>0</u>	<u>i</u>	<u>i</u>	<u>5.0</u>	<u>5.0</u>
Total	3.8	4.5	35.1	12.7	56.1

SOURCE: Congressional Budget Office.

NOTE: Totals may not add to totals because of rounding.

- a. Noble Eagle refers to domestic homeland security missions, such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001.
- b. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.
- c. Operation Iraqi Freedom refers to military operations in and around Iraq.
- d. Includes the cost of mobilized reservists supporting the various operations from the continental United States as well as the cost of maintaining the number of active-duty troops above current authorized levels.
- e. "Personnel" includes pay for reserve personnel called to active duty as well as special payments, such as hazardous duty pay, for both reserve and active-duty personnel. The category also covers the cost of subsistence items, such as food and water. CBO's estimate also includes basic pay for those active-duty personnel above current authorized endstrength levels.
- f. "Personnel support" includes clothing and personal items as well as medical support. For purposes of this estimate, it also includes some operations and maintenance costs associated with maintaining active-duty troop levels above the authorized endstrength.
- g. This category includes all incremental costs related to the operation and maintenance of air, land, and sea forces involved in overseas contingency operations. It includes costs such as fuel consumption and repair parts. Operations support also includes the costs of equipping and maintaining ground troops and equipment, as well as the costs associated with command, control, communications, and intelligence. In addition, the category covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment, and the incremental cost of increased depot maintenance for items such as aircraft, tanks, and ships.
- h. "Transportation" includes the cost of moving personnel and equipment to the theater of operations from the continental United States and from bases around the globe.
- i. CBO does not have enough information to make an independent estimate of the cost of coalition support or classified activities, or to allocate such costs between Operations Enduring Freedom and Iraqi Freedom. The number displayed for these activities is based on amounts requested and appropriated for those purposes over the past several years and is shown in the "undistributed" category.

Of the estimated amount, at least \$35 billion will be required for Iraqi Freedom, and about \$4 billion and \$5 billion will be required for Operation Noble Eagle and Operation Enduring Freedom, respectively. CBO also estimates costs of about \$13 billion for a category labeled "undistributed." This category includes the costs for mobilized reservists stationed in the United States who are tasked with supporting Operation Iraqi Freedom and Operation Enduring Freedom and the cost to

maintain active-duty forces above authorized endstrength levels. CBO includes those costs in an “undistributed” category because it lacks the information needed to allocate the personnel and costs to each operation. Within the “undistributed” category, CBO also includes \$5 billion for certain classified activities and coalition support.³ That estimate is based on amounts appropriated for those purposes in previous years.⁴

Allocating costs among the various military services is difficult because all of them provide some form of support for all aspects of Operation Iraqi Freedom and the other GWOT operations. CBO expects that about three-quarters of the budget authority required for 2005 will be needed to sustain ground operations (primarily the Army and Marine Corps), and the remainder will be needed for air and sea operations, classified activities, and coalition support.

Estimating Force Levels

CBO’s assumption that the force level and pace of operations associated with the occupation of Iraq and the GWOT will remain at current levels through 2005 is consistent with DoD’s recently announced plans for those operations. If the size of the forces deployed overseas were to change, the cost of operations could be significantly different from the estimates presented here.

DoD published a rotation plan in the fall of 2003 that envisioned the majority of U.S. forces in Iraq being replaced by a smaller number of forces between January and April 2004. However, in April, the U.S. Central Command requested permission to extend the tours of some units that had been scheduled to leave Iraq, and DoD is now preparing to deploy additional units to Iraq (to replace the units whose tours were extended). The effect of these decisions has been to reverse the planned reduction and maintain the January 2004 force level for the indefinite future.

To date, DoD has not provided CBO with detailed information about the size of the force supporting the occupation of Iraq and the GWOT. However, based on information from various sources, CBO estimates that U.S. forces deployed overseas for these operations will average about 129,000 active-duty personnel and about 51,000 reserve-component personnel in 2005. About 127,000 reserve-component personnel will be mobilized in support of these operations (including the reservists who

3. Coalition support refers to logistics activities performed by the U.S. military in support of multinational forces serving in Iraq and Afghanistan, as well as reimbursements to key cooperating nations and coalition partners for the use of airstrips and other assistance.

4. CBO excluded costs associated with classified activities in its previous published estimates of the cost of continuing operations in Iraq and Afghanistan because CBO did not have enough information to assess these costs. The \$5 billion for classified activities and coalition support in this projection is a rough estimate of requirements based on amounts appropriated for those purposes in 2003 and 2004. Although CBO still lacks data to perform an independent assessment of those costs, it has included the \$5 billion to make the estimate for 2005 more comparable to a future request for supplemental appropriations.

will be deployed).⁵ In addition, CBO estimates the active components of the services will be about 38,000 personnel above their currently authorized endstrength levels in 2005.

To estimate the size of the forces that are likely to be involved in Operation Iraqi Freedom and other operations, CBO tracks the major combat units (divisions and brigades) that are deployed or scheduled for deployment in DoD's rotation plans. However, the personnel in these major units represent only a portion of the troops that will be involved in military operations, requiring CBO to estimate other relevant categories of personnel. These other categories include troops deployed to the theater to support the combat divisions and brigades, reserve-component personnel training in preparation for deployment, and reserve personnel mobilized to fill in for deployed active-component units.

Published accounts of the number of personnel involved in Operation Iraqi Freedom often include only the number of military personnel in Iraq itself. However, large numbers of support personnel are associated with this operation, including those at Army logistics and maintenance facilities in Kuwait and those at Air Force bases throughout the Persian Gulf. Consequently, CBO's estimates of the number of personnel deployed to Operation Iraqi Freedom are generally larger than many published reports of the size of the force in Iraq. For example, DoD has recently decided to maintain (rather than reduce) the current force levels in Iraq through the second (and possibly third) rotation.⁶ CBO estimates that this plan will involve maintaining a deployed force of over 160,000 personnel in the Persian Gulf region, although only 135,000 of those personnel will actually be in Iraq.⁷

Not all of the mobilized reserve-component personnel will be deployed overseas. Some will be engaged in Operation Noble Eagle, and will remain within the United States. Others will remain in the United States in support of Operations Enduring Freedom and Iraqi Freedom. Also, most mobilized reserve units will spend some period of time training before they deploy. Thus, the number of reserve-component personnel deployed overseas in support of Operation Enduring Freedom and Operation Iraqi Freedom will always be smaller than the total number of mobilized reserve-component personnel.

Estimating Methodology

CBO estimated costs in five categories: personnel, personnel support, operations support, transportation, and classified activities/coalition support. The costs of personnel, which account for

5. Recent data from DoD puts the current number of mobilized reservists at about 160,000. CBO estimates that about 35,000 reserve-component personnel are routinely mobilized during peacetime and that those personnel should not be included in the incremental costs of the occupation of Iraq and the GWOT. The 35,000 peacetime mobilization figure should drop down to about 30,000 once U.S. commitments in Bosnia have ended.

6. For its estimates, CBO assumed all Army and Marine Corps forces deployed overseas in support of operations Iraqi Freedom and Enduring Freedom will be replaced by fresh troops once a year and Air Force units will be replaced every three months.

7. In addition, about 20,000 personnel will be deployed for Operation Enduring Freedom, bringing the total number of personnel deployed overseas to about 180,000.

30 percent of the estimated cost, include the pay for reserve personnel called to active duty, as well as special payments, such as hazardous-duty pay, for both reserve and active-duty personnel. They also include costs associated with providing food and water. In addition, the personnel category includes the cost for basic pay associated with keeping the level of active-duty forces above authorized endstrength levels. Personnel support, estimated to total about \$5 billion, includes the costs of clothing, medical care, and other similar items. It also includes support costs associated with maintaining active duty forces above authorized endstrength levels.

Operations support, at 44 percent, is the largest component of the estimate. It includes the incremental costs related to the operation and maintenance of air, land, and sea forces involved in these operations. It also includes the cost of contracts with companies like Kellogg, Brown, and Root for logistics support, base support, and other services, as well as the cost to buy replacement equipment for units returning from these overseas operations. The fourth category—transportation—includes the cost of moving personnel and equipment between the United States and the various theaters of operation as well as moves within each theater. CBO estimates transportation costs will total about \$5 billion for fiscal year 2005. Finally, as noted above, CBO included \$5 billion for classified activities and coalition support.

CBO used data from a variety of sources to prepare its estimate. Estimates for personnel and personnel support are based primarily on cost factors developed by the Institute for Defense Analyses. CBO adjusted those factors to account for pay raises, changes in special payments, and inflation. Estimates for the operation of equipment, command and control, and some support services are based largely on data from operations and support cost models developed by the Army, adjusted for the pace of operations and the impact of the desert climate. CBO estimated most of the costs for facilities and logistics support using obligations and planning data (April 2004) from DoD for relevant logistics support contracts. Estimates for equipment procurement are based on CBO's analysis of procurement spending associated with previous overseas operations. Finally, the estimates for transportation costs are based on data provided by the United States Transportation Command.

Except for a few instances, CBO did not use the data reported by DFAS on 2004 obligations in preparing the estimate of 2005 costs. Obligations for Operation Iraqi Freedom and the other GWOT operations vary widely from month to month, making it difficult to discern trends. Those data provide no information about the pace of operations or the force levels underpinning those costs, nor do they segregate one-time costs from recurring or day-to-day costs. Some obligations are recorded months after the actual activity occurred because of the time needed to establish proper billing and reimbursement. Without more detailed information, it is difficult, if not impossible, to use the reported obligations to estimate future costs. For example, the cost data reported for 2004 show significant obligations for equipment procurement and base support. CBO believes that many of those activities are one-time in nature and will not require additional resources in 2005.

Comparison to Previous CBO Estimates and Other Data

On October 28, 2003, CBO transmitted a letter to the Honorable John M. Spratt Jr. in which it estimated that maintaining an occupation force of 106,000 military personnel in Iraq would cost about \$23 billion in 2005.⁸ The cost estimates presented in this analysis are substantially higher than that October estimate for several reasons. First, the estimate done for Congressman Spratt included only costs associated with Operation Iraqi Freedom, whereas the estimate in this report also includes the costs of Operations Enduring Freedom and Noble Eagle. Second, it now appears the size of the occupation force in Iraq in 2005 will be more than 50 percent larger than the 106,000 hypothesized last October. Finally, CBO has refined or reevaluated some of the methodologies used to estimate the costs of these operations.

Even with the recent refinements in estimating methodologies, those methods produce estimates for fiscal year 2004 that are lower than DoD's reported obligations for Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle. It appears that, in 2004, DoD will obligate almost all of the \$65 billion appropriated for those three operations. By comparison, CBO's methodologies and assumptions produce a point estimate of about \$57 billion, 12 percent below the expected obligations from 2004 appropriations. It is therefore possible that DoD's obligations in fiscal year 2005 for those three operations could exceed CBO's point estimate of \$56 billion by several billion dollars. On the other hand, the 2004 obligations may include one-time costs for base construction and procurement that would not be required in 2005, making obligations in excess of CBO's point estimate less likely.

With only limited information from DoD, CBO has not been able to identify the specific reasons for that difference. They appear to be concentrated in two areas:

- With regard to the individual services, CBO's estimate of the costs for naval operations is noticeably lower than the obligations reported by DFAS. According to those reports, the Navy obligated about \$1.9 billion from 2004 appropriations for Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle through March 2004. In contrast, CBO's estimate for that period is less than \$500 million, reflecting the fact that Operations Iraqi Freedom and Enduring Freedom are primarily ground operations and that most of the Navy's deployments to the region would occur under its budgeted peacetime activities. Obligations for the Navy probably include about \$600 million in transportation and logistics costs related to the deployment of Marine Corps forces that CBO includes elsewhere—in its estimate for ground operations. That amount would not explain all of the difference, however.
- With regard to the different types of spending, the largest difference occurs in the operations support category. CBO estimates that such costs will total about \$25 billion for fiscal year 2004, but it appears that DoD will obligate more than \$30 billion for operations support

8. Congressional Budget Office, *Letter to the Honorable John M. Spratt Jr. Regarding the Estimated Costs for the Occupation of Iraq* (October 28, 2003).

(including procurement). Much of CBO's estimate for this category of spending is based on cost models developed by the Army, adjusted by CBO to reflect these particular operations and the conditions under which they are conducted, but the results of those models have been falling short of the actual obligations that DoD has attributed to the three operations.⁹ Although differences occur for most elements of cost within operations support, the largest difference appears to be in the category that DoD calls "other services and miscellaneous contracts." Through March 2004, obligations for this category totaled over \$3 billion, while CBO's estimate for 2004 totals less than \$500 million. The reported obligations for this category may include costs that CBO includes under other categories, such as "facilities and base support" and "transportation," but CBO cannot be certain without more information from the department.

Some observers have indicated that the tenuous security situation in Iraq has led to an unexpected increase in the pace of operations (also known as operational tempo), and that this has led to increased costs for such things as spare parts, fuel, and ammunition. However, most costs for overseas operations such as Iraqi Freedom are associated with personnel compensation and base support, which are not usually correlated with the pace of operations. According to DoD reports (and in CBO's estimate), the costs associated with operational tempo comprise only about 10 percent of the total obligations to date for Operation Iraqi Freedom and the other operations associated with the GWOT.

Estimates of Occupation Scenarios

CBO has estimated the 10-year cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified by Senator Conrad. Those scenarios involve future costs for Operation Iraqi Freedom as low as \$52 billion and as high as \$233 billion over the next 10 years (excluding some costs that cannot be allocated to specific operations). Other costs—for Noble Eagle, Enduring Freedom, classified activities, coalition support, and activities that cannot be allocated to specific operations—would add another \$130 billion to \$160 billion over the 2005-2014 period.

Assumptions about air operations, force rotations, and the number of reservists mobilized are based on the most recent data provided by DoD, as well as an analysis of past contingency operations. The cost estimates were done using the methodologies that CBO applied in developing its estimate for 2005. They include costs for classified activities and coalition support based on prior-year appropriations but do not include costs associated with reconstruction activities.

9. With regard to the specific operations, DoD is attributing substantially more costs to Operation Enduring Freedom than CBO estimates. This discrepancy may result primarily from CBO's allocation of certain costs to the "undistributed" category—including the cost of support personnel in the United States and the cost of maintaining active forces above authorized endstrength levels. Information from DoD indicates that the department is attributing the costs associated with as many as 35,000 of these support personnel to Operation Enduring Freedom. CBO also believes that, at one point, the services were allocating all costs for over-endstrength personnel to that operation. These allocation differences, however, would not account for the differing estimates of total costs.

The costs for each of the three scenarios vary based on the assumptions made about the length and force levels associated with Operation Iraqi Freedom. All scenarios assume operations in Afghanistan will remain at current levels throughout the 2005-2014 period and that activities associated with Operation Noble Eagle will decrease to half the current level by 2009.

Scenario One. Under this scenario, the occupation force in and around Iraq would increase from the current level of 160,000 personnel to about 190,000 in fiscal years 2005 and 2006, and then decline steadily so that all forces would be out of the Iraq theater of operations by the beginning of fiscal year 2009. This scenario assumes that a total of 212,000 military personnel would be deployed overseas in 2005, with an additional 84,000 reservists supporting operations from the United States. Once all forces left Iraq, about 15,000 personnel would be deployed overseas in support of the GWOT, with an additional 18,000 reservists mobilized in support. CBO estimates that this option would require about \$64 billion in budget authority in 2005, declining to just over \$9 billion by 2010, after which the annual costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$266 billion over the 2005-2014 period. (See Table 3 for year-by-year personnel levels and Table 4 for the estimated costs for each scenario.)

The size of the force in and around Iraq described in this scenario would be well above the number of personnel that CBO's previous analysis indicates would be sustainable over the long term.¹⁰ Under this scenario, all of the Marine Corps' and the Army's major active component combat units would be fully committed and would be deployed overseas more than six months out of every year. All of the Army National Guard's Enhanced Separate Brigades would likely be mobilized and deployed as well. Since units require some time after returning from a deployment to recover (to allow personnel to take leave, perform maintenance on equipment, and to retrain and requalify in skills they may not have used while deployed), this scenario would leave the United States with only a minimal number of available combat units to respond quickly to unforeseen contingencies over the 2005-2006 period.

Scenario Two. Under this scenario, the size of the force in the Iraq theater of operations would remain at current levels (which CBO estimates at about 160,000 personnel) through fiscal years 2005 and 2006 and then decline to a steady-state level of about 54,000 personnel by 2010, which would then remain in and around Iraq indefinitely. This scenario assumes that a total of 180,000 military personnel would be deployed overseas in 2005, with an additional 76,000 reservists supporting operations from the United States. After the drawdown of forces in Iraq, about 69,000 personnel would be deployed overseas in support of the GWOT, with an additional 38,000 reservists in support. CBO estimates this option would require about \$56 billion in budget authority in 2005, declining to about \$28 billion by 2010, after which the costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$392 billion over the 2005-2014 period.

10. CBO addressed the issue of how the occupation could strain U.S. military forces in *An Analysis of the U.S. Military's Ability to Sustain an Occupation of Iraq*, September 2003.

TABLE 3. PERSONNEL ASSUMPTIONS USED IN ESTIMATING FUTURE COSTS OF THE OCCUPATION OF IRAQ AND THE GLOBAL WAR ON TERRORISM
(In thousands, by fiscal year)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Scenario One										
Deployed Active Duty	146	147	116	41	12 ^a	12	12	12	12	12
Deployed Reserves	66	67	48	12	3	3	3	3	3	3
Other Mobilized Reserves ^b	84	100	78	35	18	18	18	18	18	18
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0
Scenario Two										
Deployed Active Duty	129	129	106	96	67	48	48	48	48	48
Deployed Reserves	51	51	43	39	28	21	21	21	21	21
Other Mobilized Reserves	76	86	72	64	47	38	38	38	38	38
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0
Scenario Three										
Deployed Active Duty	74	61	40	27	12 ^a	12	12	12	12	12
Deployed Reserves	28	25	17	10	3	3	3	3	3	3
Other Mobilized Reserves	55	54	40	30	18	18	18	18	18	18
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0

SOURCE: Congressional Budget Office based on scenarios specified by Senator Conrad.

- a. In scenarios one and three, all troops would be out of the Iraq theater of operations by 2009. However, troops would still be mobilized and deployed in support of operations Noble Eagle (domestic homeland security) and Enduring Freedom (Afghanistan).
- b. Other mobilized reserves include those performing duties in the United States as well as those in training for future deployment overseas.

Maintaining the current size of the force in the Iraqi theater for two more years, as assumed in this scenario, would require personnel levels that could not be sustained without raising concerns about adverse effects on U.S. forces (such as personnel retention and the ability to conduct training). Under this scenario, the force levels in Iraq would begin to decline after two years to a level that could be sustained using only active component Army combat forces. (Army National Guard and Marine Corps forces would no longer be required for combat or peacekeeping operations in Iraq, although National Guard units would still be needed for support activities.)

Scenario Three. Under this scenario, the occupation force in Iraq would decrease to about 84,000 personnel in fiscal year 2005 and continue to decrease so that all forces would be out of the Iraq theater of operations by the beginning of fiscal year 2009. This scenario assumes that a total of 102,000 military personnel would be deployed overseas in 2005, with an additional 55,000 reservists supporting operations from the United States. Once all forces left Iraq, about 15,000 personnel would be deployed overseas in support of the GWOT, with an additional 18,000 reservists in support. CBO estimates this option would require about \$38 billion in budget authority in 2005,

declining to just over \$9 billion by 2010, after which the costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$179 billion over the 2005-2014 period.

TABLE 4. COST ESTIMATES FOR THREE POTENTIAL SCENARIOS FOR THE OCCUPATION OF IRAQ AND THE GLOBAL WAR ON TERRORISM FOR FISCAL YEARS 2005 THROUGH 2014 (In billions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005- 2014
Scenario One											
Iraqi Freedom ^a	42	44	35	10	0	0	0	0	0	0	131
Noble Eagle ^b	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom ^c	5	5	4	4	4	4	4	4	5	5	43
Undistributed ^d	8	8	7	3	1	*	*	*	*	*	30
Classified and Coalition Support ^e	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>35</u>
Total	64	65	54	25	10	9	9	10	10	10	266
Scenario Two											
Iraqi Freedom	35	36	31	29	21	15	16	16	17	17	233
Noble Eagle	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom	5	5	4	4	4	4	4	4	5	5	43
Undistributed	8	7	6	5	3	2	2	2	2	2	39
Classified and Coalition Support	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>50</u>
Total	56	57	50	46	36	28	29	30	30	31	392
Scenario Three											
Iraqi Freedom	19	16	11	6	0	0	0	0	0	0	52
Noble Eagle	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom	5	5	4	4	4	4	4	4	5	5	43
Undistributed	6	5	4	3	1	*	*	*	*	*	22
Classified and Coalition Support	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>35</u>
Total	38	35	27	21	10	9	9	10	10	10	179

SOURCE: Congressional Budget Office based on scenarios specified by Senator Conrad.

NOTES: Numbers may not add to totals because of rounding.

* = less than \$500 million.

- Operation Iraqi Freedom refers to military operations in and around Iraq.
- Operation Noble Eagle refers to domestic homeland security missions such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the event of September 11, 2001.
- Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.
- Includes mobilized reservists supporting the various operations from the continental United States as well as the cost of maintaining the number of active-duty troops above current authorized levels.
- CBO does not have enough information to do an independent estimate of coalition support or classified activities. The number displayed here is based on amounts requested and appropriated for those purposes over the past several years.